



REVIEW OF INDEPENDENT AUDITS OF
FIRE PROTECTION DISTRICTS
IN ST. LOUIS COUNTY

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2000-20
March 27, 2000

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2000

The annual review of audits of fire protection districts in St. Louis County has been completed. This review covered reports for the year ended December 31, 1998.

The State Auditor accepted all of the required reports that were received for the year ended December 31, 1998.

For 1998, sixteen of twenty-two districts had increases in their General Fund balances. The aggregate General Fund balance of all districts increased by eight percent in 1998. Since 1991, the General Fund balances of fire districts overall have increased between eight and fifteen percent annually.

The following chart shows recent years' aggregate information.

General Fund			
	Total	Total	Total
	Revenues	Expenditures	Fund Balances
1991	\$ 48,915,503	44,395,868	52,480,031
1992	52,295,317	47,537,634	57,237,714
1993	53,989,806	48,373,722	62,853,798
1994	57,135,381	51,965,982	68,023,197
1995	61,991,961	54,654,061	75,361,097
1996	68,187,085	57,186,465	86,361,717
1997	69,942,182	62,514,665	93,789,234
1998	74,548,435	66,937,792	101,399,877

In previous reviews it was noted that several districts had large General Fund balances in relation to expenditures. Ten districts reserved a portion of their 1998 fund balance for new firehouses, additional equipment, future years' operations and other uses. The following chart shows the total fund balance to General Fund expenditures ratio as well as the ratio of unreserved fund balance to expenditures ratio.

(over)

Ratio of Fund Balance to General Expenditures

Total Unreserved

<u>Fire District</u>	<u>Fund Balance</u>	<u>Fund Balance</u>
Affton	1.41	1.21
Black Jack	1.08	1.08
Chesterfield	1.68	1.68
Community	0.98	0.13
Creve Coeur	3.07	1.49
Eureka	0.58	0.58
Fenton	1.62	1.03
Florissant Valley	1.25	1.25
Lemay	0.51	0.51
Maryland Heights	2.52	2.49
Mehlville	1.60	1.16
Metro West	1.19	0.17
Mid-County	0.97	0.97
Moline	0.94	0.94
Normandy	1.60	1.18
Pattonville/Bridgeton Terrace	0.78	0.78
Riverview	1.30	0.26
Robertson	2.19	2.19
Spanish Lake	1.05	1.05
Valley Park	1.08	1.08
West County EMS	1.72	0.48
West Overland	1.19	1.19

Since property tax is the main source of revenue, and is received at the end of each year, districts need larger fund balances to provide an adequate cash flow. For those that have reserved a portion of their fund balance, the ratios have decreased; however, thirteen districts still have unreserved fund balances greater than one year's cost of operations. In addition, two districts have cash balances at year end that exceed total expenditures for the year. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

The Ambulance Fund in several districts had significant fund balances compared to expenditures. Ambulance Fund balances in total have increased by 18 percent over the past two years. Of the 18 districts with Ambulance Funds, ten had fund balance to expenditure ratios greater than 1.00. In addition to property tax revenues and interest, many districts collect ambulance fees or contract services fees. Approximately eight percent of total revenues in the Ambulance funds come from these fees.

Dispatching Fund balances in total have increased by 30 percent over the past two years. Of the 22 districts with Dispatch Funds, five had fund balance to expenditure ratios greater than 1.00 and three had ratios greater than 1.50. All of the districts contract dispatching services; however, some do purchase equipment from this fund.

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN ST. LOUIS COUNTY

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DISTRICTS IN ST. LOUIS COUNTY

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in St. Louis County

We have conducted a special review of independent audits of the fire protection districts in St. Louis County as required by Section 321.690, RSMo Cumulative Supp. 1999. The purposes of this review were to:

1. Evaluate the impact of statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in St. Louis County.
2. Assess the degree of compliance by these districts with statutory audit requirements and the State Auditor's regulations.
3. Bring to the attention of the various fire districts and independent auditors any specifically identifiable reporting deficiencies which should be taken into consideration and corrected in future audit reports.
4. Summarize and evaluate the financial data presented for the various fire districts.
5. Summarize and review the comments for improvement made by the independent auditors for the various districts.

Section 321.690, RSMo Cumulative Supp. 1999, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all of the required reports that were received for the year ended December 31, 1998.

During our review, we considered Section 321.690, RSMo Cumulative Supp. 1999, and 15 CSR 40-4 (which are presented in Appendices B and C), and audit reports submitted to the State Auditor by the various fire districts for the year ended December 31, 1998. In addition, financial data for the year ended December 31, 1997, has been presented for comparative purposes. Because some data presented in the schedules and appendices was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures, we express no opinion on the schedules and appendices.

Our review was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Some problems were noted in our review of the fire protection district's audit reports and the compliance deficiencies are summarized on Schedule 10. The problems noted included, the failure to submit complete reports with management letters to the State Auditor's office (SAO) by the date required, the failure to submit engagement letters to the SAO, the failure to include some needed compliance recommendations in the management letters, and the lack of complete and adequate footnote disclosures.

To better determine the quality of the fire district audits, we reviewed the supporting working papers of various independent auditors' reports for the year ended December 31, 1998. The information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters. Generally Accepted Governmental Auditing Standards (GAGAS) require that a written record of the auditor's work be retained. However, some auditors' working papers need to be improved.

For 1998, sixteen of twenty-two districts had increases in their General Fund balances. The aggregate General Fund balance of all districts increased by eight percent in 1998. Since 1991, the General Fund balances of fire districts overall have increased between eight percent and fifteen percent annually.

The following chart shows recent years' aggregate information.

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Ratio of Fund Balance to General Expenditures

Fire District	Total Fund Balance	Unreserved Fund Balance
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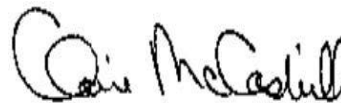
The Ambulance Fund in several districts had significant fund balances compared to expenditures as shown on Schedule 2. Ambulance Fund balances in total have increased by 18 percent over the past two years. Of the 18 districts with Ambulance Funds, ten had fund balance to expenditure ratios greater than 1.00. In addition to property tax revenues and interest, many districts collect ambulance fees or contract services fees. Approximately eight percent of total revenues in the Ambulance Funds come from these fees.

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had ratios greater than 1.50. All of the districts contract dispatching services; however, some do purchase equipment from this fund.

As shown in Appendix A, independent auditors made specific recommendations to improve the overall management of fire districts. Recommendations included concerns regarding segregation of duties, receipts and purchasing procedures, various accounting records, investments, fixed assets, payroll, accounting software, pledged securities, year 2000 issues, insurance, unclaimed property and other various policies and procedures. In addition, recommendations were made concerning budgets and pension plans. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

The State Auditor's office has performed reviews of fire protection districts' annual reports for several years and many improvements have been noted. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. We solicit from the readers of this report any suggestions for changes or requests for other new information which may be of benefit to those involved with St. Louis County fire protection districts.

A handwritten signature in black ink, appearing to read "Claire C. McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent.

Claire C. McCaskill
State Auditor

November 30, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice Fast, CPA, CIA
Audit Staff:	Monique Williams

SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
 GENERAL FUNDS

		Year Ended December 31,						
		1997			1998			
District	Beginning	Revenues	Expenditures	Ending Fund	Adjustments	Revenues	Expenditures	Ending Fund
	Fund Balance			Balance	(Note 2)			Balance
Affton	\$ 2,697,740	2,397,840	2,570,238	2,525,342	0	2,361,227	2,025,925	2,860,644
Black Jack	3,011,342	2,928,886	2,906,335	3,033,893	0	3,139,934	2,970,241	3,203,586
Chesterfield	6,108,056	6,720,387	5,036,257	7,792,186	0	6,919,189	5,482,635	9,228,740
Community	3,802,974	3,155,978	3,145,878	3,813,074	0	3,383,051	3,628,658	3,567,467
Creve Coeur	14,159,744	5,947,138	4,473,856	15,633,026	0	6,648,474	5,478,461	16,803,039
Eureka	585,540	1,174,786	1,087,990	672,336	0	1,399,174	1,311,556	759,954
Fenton	3,499,283	3,133,330	2,667,526	3,965,087	0	3,332,970	2,784,197	4,513,860
Florissant Valley	4,446,638	3,357,049	3,007,518	4,796,169	-400,472	3,814,149	3,642,615	4,567,231
Lemay	615,800	1,350,541	1,205,590	760,751	0	1,334,127	1,388,255	706,623
Maryland Heights	7,714,688	4,081,131	4,041,172	7,754,647	0	5,067,764	3,645,591	9,176,820
Mehlville	10,717,661	9,080,150	8,251,300	11,546,511	0	9,846,233	8,226,687	13,166,057
Metro West	5,903,764	6,218,134	5,183,332	6,938,566	0	6,482,843	6,137,379	7,284,030
Mid-County	1,507,534	1,791,686	1,796,594	1,502,626	0	1,638,300	1,591,097	1,549,829
Moline	1,039,418	1,259,336	1,171,283	1,127,471	0	1,269,969	1,237,897	1,159,543
Normandy	2,094,273	1,619,822	1,489,086	2,225,009	0	1,669,204	1,495,794	2,398,419
Pattonville/Bridgeton Terrace	3,802,767	4,097,343	3,735,222	4,164,888	0	4,089,143	4,631,171	3,622,860
Riverview	1,697,748	1,493,820	1,401,630	1,789,938	0	1,510,038	1,434,132	1,865,844
Robertson	2,772,010	2,348,351	2,050,280	3,070,081	0	2,675,702	1,802,693	3,943,090
Spanish Lake	1,817,626	1,783,912	1,616,444	1,985,094	0	1,891,332	1,895,249	1,981,177
Valley Park	1,422,231	1,021,948	911,867	1,532,312	0	1,070,352	1,251,198	1,351,466
West County EMS	5,340,931	3,759,453	3,475,884	5,624,500	0	4,088,825	3,572,889	6,140,436
West Overland	1,603,949	1,221,161	1,289,383	1,535,727	0	1,316,907	1,303,472	1,549,162
Total	\$ 86,361,717	69,942,182	62,514,665	93,789,234	-400,472	74,948,907	66,937,792	101,399,877

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
 SPECIAL REVENUE FUND - AMBULANCE

District	Year Ended December 31,							
	1997				1998			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments (Note 2)	Revenues	Expenditures	Ending Fund Balance
Affton	\$ 274,805	1,004,117	568,815	710,107	0	739,347	703,235	746,219
Black Jack	0	0	0	0	0	0	0	0
Chesterfield	3,741,353	3,702,725	3,141,433	4,302,645	0	4,032,934	3,319,863	5,015,716
Community	1,000,963	1,020,895	1,039,461	982,397	0	1,092,876	1,060,202	1,015,071
Creve Coeur	189,198	2,447,065	2,636,263	0	0	2,034,365	1,729,955	304,410
Eureka	714,124	614,708	594,597	734,235	0	710,663	650,492	794,406
Fenton	2,261,539	1,878,460	1,551,799	2,588,200	0	1,978,234	1,836,248	2,730,186
Florissant Valley	402,165	254,521	209,402	447,284	-27,882	277,007	323,169	373,240
Lemay	175,915	585,548	396,631	364,832	0	473,417	427,497	410,752
Maryland Heights	-763,477	561,502	762,401	-964,376	0	907,326	809,444	-866,494
Mehlville	3,514,616	3,114,343	2,992,915	3,636,044	0	3,278,693	3,040,711	3,874,026
Metro West	2,833,386	3,161,341	2,993,093	3,001,634	0	3,188,592	3,014,170	3,176,056
Mid-County	125,311	219,589	226,707	118,193	0	221,337	275,500	64,030
Moline	0	0	0	0	0	0	0	0
Normandy	515,526	449,998	508,008	457,516	0	460,146	450,566	467,096
Pattonville/Bridgeton Terrace	1,183,532	1,224,747	1,315,439	1,092,840	0	1,500,866	1,513,679	1,080,027
Riverview	0	0	0	0	0	0	0	0
Robertson	296,302	660,848	745,498	211,652	0	803,705	930,481	84,876
Spanish Lake	0	0	0	0	0	0	0	0
Valley Park	452,005	466,646	435,607	483,044	0	480,711	473,190	490,565
West County EMS	1,552,544	1,649,513	1,413,975	1,788,082	0	1,745,602	1,398,445	2,135,239
West Overland	310,387	423,620	383,875	350,132	0	451,081	426,355	374,858
Total	\$ 18,780,194	23,440,186	21,915,919	20,304,461	-27,882	24,376,902	22,383,202	22,270,279

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
 SPECIAL REVENUE FUND - DISPATCHING

Year Ended December 31,									
District	1997				1998				Ending Fund Balance
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments (Note 2)	Revenues	Expenditures	Ending Fund Balance	
Afton	\$ -138,007	325,765	71,807	115,951	0	107,793	101,585	122,159	
Black Jack	76,274	126,692	122,858	80,108	0	225,963	195,720	110,351	
Chesterfield	376,198	332,939	290,248	418,889	0	365,110	351,391	432,608	
Community	110	120,803	120,903	10	0	127,053	127,053	10	
Creve Coeur	0	252,861	252,861	0	0	276,272	276,272	0	
Eureka	0	42,373	42,373	0	0	52,098	52,098	0	
Fenton	533,523	251,864	172,698	612,689	0	269,021	216,574	665,136	
Florissant Valley	225,709	125,521	111,878	239,352	-4,401	129,858	122,912	241,897	
Lemay	106,311	27,660	38,267	95,704	0	28,801	79,799	44,706	
Maryland Heights	0	144,539	144,539	0	0	184,652	184,652	0	
Mehlville	582,808	469,537	363,121	689,224	0	496,527	411,397	774,354	
Metro West	208,548	301,718	276,856	233,410	0	314,606	312,081	235,935	
Mid-County	0	43,625	43,625	0	0	56,481	56,481	0	
Moline	0	30,300	30,300	0	0	30,340	30,339	1	
Normandy	0	60,875	60,875	0	0	62,317	62,317	0	
Pattonville/Bridgeton Terrace	6,045	132,439	132,944	5,540	0	196,460	187,087	14,913	
Riverview	0	44,649	44,649	0	0	47,007	47,007	0	
Robertson	0	102,303	102,303	0	0	127,882	127,882	0	
Spanish Lake	27,685	52,364	40,947	39,102	0	56,913	51,876	44,139	
Valley Park	39,656	44,797	42,149	42,304	0	46,652	48,836	40,120	
West County EMS	132,837	108,850	138,578	103,109	0	153,764	155,893	100,980	
West Overland	59	62,628	62,628	59	0	65,516	65,516	59	
Total	\$ <u>2,177,756</u>	<u>3,205,102</u>	<u>2,707,407</u>	<u>2,675,451</u>	<u>-4,401</u>	<u>3,421,086</u>	<u>3,264,768</u>	<u>2,827,368</u>	

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF ADDITIONS, DEDUCTIONS, AND FUND BALANCE -
 FIDUCIARY FUNDS (PENSION FUND)

District	Year Ended December 31,							
	1997				1998			
	Beginning Fund Balance	Additions	Deductions	Ending Fund Balance	Adjustments (Note 2)	Additions	Deductions	Ending Fund Balance
Afton	\$ 3,872,753	1,639,140	23,419	5,488,474	0	713,372	140,674	6,061,172
Black Jack	2,974,192	560,915	673,272	2,861,835	0	647,796	33,286	3,476,345
Chesterfield	18,292,615	5,793,233	2,779,300	21,306,548	-2,448,215	2,530,943	817,594	20,571,682
Community	5,195,374	1,102,902	9,386	6,288,890	0	943,319	797,241	6,434,968
Creve Coeur	11,900,948	2,813,229	767,774	13,946,403	0	3,871,067	791,903	17,025,567
Eureka	1,515,522	248,593	16,815	1,747,300	0	300,022	33,245	2,014,077
Fenton	10,736,364	2,695,144	931,249	12,500,259	1,017,796	2,048,417	1,437,821	14,128,651
Florissant Valley	3,018,953	891,385	617,698	3,292,640	122,080	979,413	108,640	4,285,493
Lemay	311,367	150,220	326,853	134,734	0	134,081	137,730	131,085
Maryland Heights	6,226,326	1,014,035	616,722	6,623,639	0	1,732,519	131,914	8,224,244
Mehlville	27,648,234	5,024,940	1,465,016	31,208,158	0	4,089,598	2,318,774	32,978,982
Metro West	8,666,520	3,367,230	1,335,805	10,697,945	-346,749	4,178,599	1,379,258	13,150,537
Mid-County	1,471,376	272,589	263,936	1,480,029	0	298,824	209,837	1,569,016
Moline	2,348,765	369,819	272,373	2,446,211	0	403,171	11,211	2,838,171
Normandy	1,136,314	484,262	224,857	1,395,719	0	323,880	56,544	1,663,055
Pattonville/Bridgeton Terrace	6,790,902	1,541,785	864,725	7,467,962	0	1,406,285	757,860	8,116,387
Riverview	1,903,000	395,879	284,616	2,014,263	0	248,743	26,881	2,236,125
Robertson	2,905,948	836,858	577,815	3,164,991	360,444	944,526	20,321	4,449,640
Spanish Lake	2,985,462	639,970	16,737	3,608,695	0	695,054	11,074	4,292,675
Valley Park	1,044,201	193,698	1,651	1,236,248	0	232,502	92,616	1,376,134
West County EMS	9,860,905	2,475,369	79,132	12,257,142	0	1,782,401	12,435,129	1,604,414
West Overland	3,120,454	1,409,327	482,218	4,047,563	0	914,273	135,014	4,826,822
Total	\$ 133,926,495	33,920,522	12,631,369	155,215,648	-1,294,644	29,418,805	21,884,567	161,455,242

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 5

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE 'SCHEDULE OF REVENUES, EXPENSES, AND FUND BALANCE -
 CAPITAL PROJECT FUNDS

District	Year Ended December 31,							
	1997				1998			
	Beginning Fund Balance	Revenues	Expenses	Ending Fund Balance	Revenues	Expenses	Ending Fund Balance	
Affton	\$ 0	0	0	0	0	0	0	0
Black Jack	171,359	140,557	0	311,916	14,753	16,964	309,705	
Chesterfield	849,030	256,402	1,069,683	35,749	9,427	10,820	34,356	
Community	0	0	0	0	0	0	0	0
Creve Coeur	0	0	0	0	0	0	0	0
Eureka	349,893	395,665	411,708	333,850	307,365	267,423	373,792	
Fenton	0	0	0	0	0	0	0	0
Florissant Valley	0	0	0	0	0	0	0	0
Lemay	0	0	0	0	0	0	0	0
Maryland Heights	388,358	1,685	455,416	-65,373	0	1	-65,374	
Mehlville	1,189,031	63,358	195,925	1,056,464	134,416	919,401	271,479	
Metro West	1,615,878	1,965,841	2,068,119	1,513,600	2,030,890	2,479,421	1,065,069	
Mid-County	145,397	1,599	146,996	0	0	0	0	0
Moline	109,019	2,230	14,490	96,759	1,715	36,633	61,841	
Normandy	13,595	0	0	13,595	0	0	13,595	
Pattonville/Bridgeton Terrace	-277,473	277,473	0	0	0	0	0	0
Riverview	0	0	0	0	0	0	0	0
Robertson	0	0	0	0	0	0	0	0
Spanish Lake	0	0	0	0	0	0	0	0
Valley Park	0	0	0	0	0	0	0	0
West County EMS	0	0	0	0	0	0	0	0
West Overland	0	0	0	0	0	0	0	0
Total	\$ <u>4,554,087</u>	<u>3,104,810</u>	<u>4,362,337</u>	<u>3,296,560</u>	<u>2,498,566</u>	<u>3,730,663</u>	<u>2,064,463</u>	

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 6

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 SCHEDULE OF BOND OBLIGATIONS (NOTE 3)
 YEAR ENDED DECEMBER 31, 1998

	Fund Balance December 31, 1997	Revenues	Expenditures and Transfers Out	Fund Balance December 31, 1998	1998 Obligations	Outstanding Bonds at December 31, 1998
Affton	\$ 0	0	0	0	0	0
Black Jack	0	0	0	0	0	0
Chesterfield	731,691	483,921	424,327	791,285	265,000	3,265,000
Community	0	0	0	0	0	0
Creve Coeur	0	0	0	0	0	0
Eureka	336,113	200,819	181,393	355,539	170,738	325,000
Fenton	0	0	0	0	0	0
Florissant Valley	0	0	0	0	0	0
Lemay	234,551	185,315	147,615	272,251	151,996	980,000
Maryland Heights	429,990	335,725	267,102	498,613	267,645	1,000,000
Mehlville	0	0	0	0	0	0
Metro West	0	0	0	0	0	0
Mid-County	154,015	13,350	81,049	86,316	73,500	70,000
Moline	105,853	72,046	64,224	113,675	67,520	230,000
Normandy	128,497	50,893	72,609	106,781	68,250	350,000
Pattonville/Bridgeton Terrace	858,522	382,179	1,085,826	154,875	84,925	675,000
Riverview	0	0	0	0	0	0
Robertson	0	0	0	0	0	0
Spanish Lake	0	0	0	0	0	0
Valley Park	117,396	65,537	67,909	115,024	66,248	505,000
West County EMS	0	0	0	0	0	0
West Overland	0	0	0	0	0	0
Total	\$ <u>3,096,628</u>	<u>1,789,785</u>	<u>2,392,054</u>	<u>2,494,359</u>	<u>1,215,822</u>	<u>7,400,000</u>

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 7

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
SCHEDULE OF GENERAL FIXED ASSETS

District	December 31, 1998			December 31, 1997
	Land and Buildings	Furniture and Equipment	Total	Total
Affton	\$ 402,099	1,359,251	1,761,350	1,592,681
Black Jack	741,299	1,374,142	2,115,441	2,007,749
Chesterfield	9,433,124	3,710,117	13,143,241	13,317,745
Community	268,886	1,368,176	1,637,062	1,464,643
Creve Coeur	2,624,200	3,306,814	5,931,014	5,683,287
Eureka	1,460,113	1,527,803	2,987,916	2,651,271
Fenton	1,993,795	2,279,019	4,272,814	3,800,958
Florissant Valley	1,295,643	1,335,359	2,631,002	2,058,074
Lemay	1,776,720	909,358	2,686,078	2,586,973
Maryland Heights	3,490,496	2,586,682	6,077,178	5,705,213
Mehlville	4,824,491	5,963,224	10,787,715	9,930,838
Metro West	7,448,234	6,078,350	13,526,584	11,088,191
Mid-County	759,220	917,894	1,677,114	1,659,669
Moline	181,912	637,081	818,993	782,490
Normandy	763,813	988,028	1,751,841	1,713,318
Pattonville/Bridgeton Terrace	3,395,424	2,224,682	5,620,106	5,242,045
Riverview	1,110,880	718,693	1,829,573	1,780,161
Robertson	1,396,943	1,500,610	2,897,553	2,695,177
Spanish Lake	572,176	768,423	1,340,599	1,062,244
Valley Park	1,084,253	1,206,510	2,290,763	2,013,054
West County EMS	1,603,944	2,511,244	4,115,188	4,092,569
West Overland	220,944	971,697	1,192,641	1,189,364
Total	\$ <u>46,848,609</u>	<u>44,243,157</u>	<u>91,091,766</u>	<u>84,117,714</u>

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 8

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 SCHEDULE OF ASSESSED VALUATION AND TAX LEVIES
 YEARS ENDED DECEMBER 31, 1998 AND 1997

District	Tax Levy Per \$100 of Assessed Valuation													
			Total		General		Pension		Dispatching		Ambulance		Debt Service	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Affton	\$ 325,161,088	345,557,690	0.94	0.92	0.64	0.63	0.07	0.07	0.03	0.03	0.20	0.19	0.00	0.00
Black Jack	415,186,551	412,387,144	0.79	0.78	0.65	0.65	0.10	0.10	0.04	0.03	0.00	0.00	0.00	0.00
Chesterfield	1,184,644,239	1,136,783,246	1.03	1.03	0.53	0.53	0.10	0.10	0.03	0.03	0.33	0.33	0.04	0.04
Community	408,213,428	406,162,596	1.13	1.12	0.75	0.74	0.10	0.10	0.03	0.03	0.25	0.25	0.00	0.00
Creve Coeur	890,267,492	870,820,749	1.02	1.01	0.62	0.61	0.15	0.15	0.03	0.03	0.22	0.22	0.00	0.00
Eureka	167,783,627	149,635,728	1.28	1.28	0.74	0.74	0.10	0.10	0.03	0.03	0.30	0.30	0.11	0.11
Fenton	737,328,514	723,850,300	0.74	0.74	0.38	0.38	0.10	0.10	0.03	0.03	0.23	0.23	0.00	0.00
Florissant Valley	544,628,341	594,614,754	0.71	0.70	0.55	0.54	0.10	0.10	0.02	0.02	0.04	0.04	0.00	0.00
Lemay	128,185,495	127,163,935	1.48	1.48	0.99	0.99	0.10	0.10	0.02	0.02	0.23	0.23	0.14	0.14
Maryland Heights	509,614,246	500,080,914	1.13	1.06	0.80	0.80	0.13	0.06	0.03	0.03	0.11	0.11	0.06	0.06
Mehlville	1,427,994,504	1,396,404,671	0.92	0.90	0.58	0.58	0.10	0.08	0.03	0.03	0.21	0.21	0.00	0.00
Metro West	1,027,484,895	987,291,870	1.03	1.03	0.59	0.59	0.11	0.11	0.03	0.03	0.30	0.30	0.00	0.00
Mid-County	122,192,326	125,272,540	1.28	1.33	1.00	1.00	0.10	0.10	0.03	0.03	0.15	0.15	0.00	0.05
Moline	99,730,935	100,042,842	1.50	1.50	1.25	1.25	0.15	0.15	0.03	0.03	0.00	0.00	0.07	0.07
Normandy	164,415,824	162,109,994	1.39	1.39	0.95	0.95	0.10	0.10	0.04	0.04	0.27	0.27	0.03	0.03
Pattonville/Bridgeton Terrace	510,411,817	442,337,117	1.22	1.28	0.75	0.75	0.15	0.15	0.05	0.04	0.25	0.25	0.02	0.09
Riverview	118,425,786	118,289,658	1.40	1.39	1.25	1.25	0.11	0.11	0.04	0.03	0.00	0.00	0.00	0.00
Robertson	172,065,951	166,001,725	1.25	1.25	0.81	0.81	0.15	0.15	0.04	0.04	0.25	0.25	0.00	0.00
Spanish Lake	140,630,672	141,566,872	1.44	1.44	1.25	1.25	0.15	0.15	0.04	0.04	0.00	0.00	0.00	0.00
Valley Park	151,857,305	146,723,881	1.13	1.12	0.66	0.65	0.10	0.09	0.03	0.03	0.30	0.30	0.04	0.05
West County EMS	486,083,879	484,720,872	0.62	0.62	0.38	0.38	0.05	0.05	0.03	0.03	0.16	0.16	0.00	0.00
West Overland	147,522,277	146,488,064	1.15	1.15	0.71	0.71	0.15	0.15	0.04	0.04	0.25	0.25	0.00	0.00

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 9

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
COMPARATIVE SCHEDULE OF FEES FOR AUDIT SERVICES (NOTE 4)

District	1998 Audit Fees	1997 Audit Fees	Independent Auditor
Affton	6,600	5,400	Same
Black Jack	6,800	6,300	Same
Chesterfield *	14,000	26,228	Same
Community	3,900	3,750	Same
Creve Coeur	12,000	9,300	Same
Eureka	3,750	3,750	Same
Fenton	5,460	5,500	Same
Florissant Valley	4,567	4,800	Different
Lemay	2,940	2,995	Same
Maryland Heights	4,500	5,000	Same
Mehlville	10,400	8,900	Same
Metro West	8,250	6,980	Same
Mid-County	4,000	4,000	Same
Moline	3,775	4,600	Same
Normandy	4,275	4,257	Same
Pattonville/Bridgeton	4,250	6,350	Same
Riverview	2,060	2,060	Same
Robertson	4,500	4,800	Different
Spanish Lake	5,000	4,200	Same
Valley Park	5,900	5,200	Same
West County EMS	5,000	5,200	Same
West Overland	3,900	3,900	Same

* The 1997 amount includes additional fees for extra work performed.

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 10

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST LOUIS COUNTY
SUMMARY OF COMPLIANCE DEFICIENCIES NOTED CONCERNING 15 CSR 40
YEAR ENDED DECEMBER 31, 1998

Description of Deficiencies	Title	Number of Errors		Number of Applicable Reports	Percent
Engagement letter was not submitted to the State Auditor.	15 CSR 40-4.010	13		22	59%
Audit report was not submitted by June 30, 1999.	15 CSR 40-4.010	4		22	18%
Appropriate footnote disclosures were not included.	15 CSR 40-4.030	15	*	22	68%
Some needed comments and recommendations were not included in the management letter.	15 CSR 40-4.030	12	**	22	55%

* Although the audit reports contained most of the necessary footnotes, we noted various deficiencies regarding appropriate footnote disclosure including the following areas: budget basis, cash and cash equivalents, statutory violations, compensated absences, risk management, component units and Year 2000 issues.

** A problem noted that apparently should have been reported in the management letters included overspending the budgets.

NOTES TO THE SCHEDULES

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS
IN ST. LOUIS COUNTY
NOTES TO THE SCHEDULES

1. Significant Information

A. General

At December 31, 1998, there were twenty-three fire protection districts in St. Louis County. Districts are required to have a biennial audit performed if revenues exceed \$50,000. The Kinloch Fire Protection District reported receipts of \$23,482; therefore, a biennial audit was not required.

Upon completion of the audit, copies of the report and management letter are to be submitted to the State Auditor for review. Twenty-two audits have been received and reviewed.

B. Schedules

Information included in these schedules was compiled from the audit reports, management letters, questionnaires, etc., received from the St. Louis County fire protection districts.

In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Reasons for some problems in comparison are:

- 1) The pension fund is presented differently by the fire districts. Nine districts offer defined contribution plans and seven offer defined benefit plans. Six districts offer both types.
- 2) Some districts may have major bond issues and related capital project funds.
- 3) Some districts collect user fees and others may not.
- 4) Some districts have significant transfers to and from funds which cause disparity in comparison.
- 5) Some districts account for capital improvements and large asset purchases in the General Fund while others have a Capital Projects Fund.

The schedules presented are as follows:

Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format.

Schedule 2 presents revenues, expenditures, and fund balance for the Ambulance Funds in a combined format.

Schedule 3 presents revenues, expenditures, and fund balance for the Dispatching Funds in a combined format.

Schedule 4 presents additions, deductions, and fund balance for the fiduciary funds (Pension Funds) in a combined format.

Schedule 5 presents revenues, expenses, and fund balance for the Capital Project Funds in a combined format.

Interfund and equity transfers are included in the revenues and expenditure numbers on Schedules 1, 2, 3, 4 and 5. (See Note 7)

Schedule 6 presents the operations of the Debt Service Fund for the year ended December 31, 1998, the amount of bonds outstanding, and the obligations of the districts for 1999.

Schedule 7 presents the General Fixed Asset balances of the districts at December 31, 1998, with comparative totals of general fixed assets at December 31, 1997.

Schedule 8 presents the assessed valuations of the individual fire protection districts as well as tax levies for each of the districts' various funds as reported in the audit reports. Differences were noted in the assessed valuations presented in the audit reports and the amounts submitted by the district to the State Auditor's office. In addition, in 1999, 1998, 1997 and 1996, Mid-County Fire Protection District levied .02 in excess of the General Revenue Fund levy approved by the State Auditor's Office.

Schedule 9 is a listing of the audit fees for each fire protection district. This information was obtained from a questionnaire sent to the districts.

Schedule 10 is a listing of deficiencies noted regarding compliance with State Auditor's regulation 15 CSR 40.

C. Methods of Accounting

All governmental type funds (General Fund, Capital Projects Fund, Special Revenue Fund, Debt Service Fund, etc.) are to be accounted for on the modified accrual basis. The modified accrual basis recognizes revenues in the period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred.

All proprietary funds and certain fiduciary funds are to be accounted for on the accrual basis. The accrual basis recognizes revenues when they are earned and expenses when they are incurred.

The Pension Fund is an example of a fiduciary fund that is to be accounted for on the accrual basis. In addition, Pension Fund assets (investments held outside the fire district) are to be reported at market value as fund assets on the balance sheet.

All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that financed the acquisition or construction and are capitalized in the General Fixed Assets Account Group. Purchased fixed assets are capitalized at historical cost or at estimated historical cost if actual historical cost is not available.

Depreciation is usually not provided on general fixed assets; however, the Black Jack Fire Protection District did provide for depreciation over the useful lives of the general fixed assets. The total accumulated depreciation through December 31, 1998, was \$792,787.

D. Funds

Fire protection districts may not always have the same number of funds. Funds that a district may have and their intended purpose are as follows:

General Fund: The General Fund is the general operating fund of the district and is used to account for all resources except those accounted for in other funds.

Ambulance Fund: This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted for ambulance operations. In addition, some districts receive contract revenues and ambulance fees.

Dispatching Fund: This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted to the purchasing of dispatching services. This is commonly accomplished by means of a contractual agreement with outside entities which provide dispatching services for several districts.

Capital Projects Fund: This fund is used to account for the revenues and expenditures needed to finance the acquisition or construction of capital assets and improvements.

Debt Service Fund: This fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest.

Pension Fund: This fiduciary fund accounts for assets held in trust by the fire district or by an outside agency for the payment of retirement benefits and long-term disability benefits to eligible fire fighters. The fund's primary source of revenue is property taxes. The Pattonville - Bridgeton Terrace Fire Protection District Pension Fund includes Deferred Compensation agency funds as well as pension monies.

2. Audit Adjustments

Audit adjustments to the ending fund balance for the various funds at December 31, 1997, were made by the independent certified public accountants for the following fire districts.

Fire District	Amount	Reason
<u>General Fund</u>		
Florissant Valley	\$ <u>(400,472)</u>	To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues.
<u>Ambulance Fund</u>		
Florissant Valley	\$ <u>(27,882)</u>	To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues.
<u>Dispatching Fund</u>		
Florissant Valley	\$ <u>(4,401)</u>	To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues.
<u>Pension Fund</u>		
Chesterfield	\$ (2,910,409)	To adjust for additional pension distributions made in 1997 and included as net assets when the defined benefit plan was converted to a defined contribution plan.
	<u>462,194</u>	To adjust for distributions that were mistakenly accounted for in the Pension Trust Fund.
Total	\$ <u>(2,448,215)</u>	

3. Outstanding Bond Obligations

Schedule 6 shows the revenues, expenditures and fund balance of the fire protection districts' Debt Service Funds. The legal debt limit for a fire protection district is five percent of the fire protection districts' assessed valuation. The reports submitted show that all fire protection districts had debt outstanding that was within their statutory limits. The 1999 obligation amount includes principal and interest amounts due for all districts except Chesterfield which includes only the principal amount due.

4. Independent Audits

During 1998, one independent auditor performed eight audits, one performed three audits, one performed two audits, and nine independent auditors each performed one audit.

5. Compensation Of Directors

Fenton	\$ <u>1,017,796</u>	To adjust for prior years appreciation in market value of investments.
Florissant Valley	\$ (68,432)	To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues.
	<u>190,512</u>	To adjust for recording pension investments at market value due to a change in accounting principle.
Total	<u>122,080</u>	
Metro West	<u>(346,749)</u>	To remove the unrealized net gain on investments in 1997.
Robertson	\$ <u>360,444</u>	To adjust for correction of error related to accounting for benefit payments.

The independent audit reports included the names of the principal officeholders during the year ended December 31, 1998 and 1997 and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 1994. Although there were instances when more than three names would be listed, each of the fire districts had three director positions. When more than three names were listed, it was due to a change in the officials serving on the board.

The following is a list of total compensation paid to directors by each district:

Total Compensation Paid			
District		1998	1997
Affton	\$	6,900	5,383
Black Jack		8,450	9,550
Chesterfield		16,617	13,966
Community		17,600	17,683
Creve Coeur		17,600	17,600
Eureka		7,000	7,250
Fenton		11,000	10,000
Florissant Valley		17,600	17,600
Lemay		8,700	10,181
Maryland Heights		12,800	10,883
Mehlville		16,433	17,229
Metro West		11,750	11,950
Mid-County		14,681	14,517
Moline		17,600	17,600
Normandy		10,200	9,924
Pattonville/Bridgeton Terrace		17,600	15,850
Riverview		17,117	17,600
Robertson		17,600	15,066
Spanish Lake		17,600	17,600
Valley Park		11,900	10,800
West County EMS		16,208	13,150
West Overland		17,614	17,614

6. Kinloch Fire Protection District

The Kinloch Fire Protection District submitted financial information to the State Auditor for the year ended December 31, 1998. Amounts reported by the Kinloch Fire Protection District (on a cash basis of accounting) are as follows:

(UNAUDITED)		
	1998	1997
Cash on hand, January 1, \$	2,256	805
Cash receipts	23,482	28,446
Cash disbursements	(23,894)	(26,996)
Cash on hand, December 31, \$	<u>1,844</u>	<u>2,256</u>

The assessed valuation and tax levies for 1998 and 1997 are as follows:

	1998	1997
Assessed Valuation \$	3,797,109	4,319,967
Tax Levies (per \$100 assessed valuation)		
Maintenance (General)	0.00	0.51
Dispatching	<u>0.00</u>	<u>0.03</u>
Total \$	<u>0.00</u>	<u>0.54</u>

7. Interfund Transfers

Various transfers between funds were made during 1998. It appears that the General Fund is supplementing other funds which may impact the financial position reported. The transfers made between the various funds are as follows:

Year Ended December 31, 1998						
District	General Fund	Ambulance Fund	Dispatching Fund	Pension Fund	Debt Service	Capital Projects
Afton	\$ 0	0	0	0	0	0
Black Jack	16,964	0	0	0	0	(16,964)
Chesterfield	0	0	0	0	0	0
Community	0	0	0	0	0	0
Creve Coeur	0	0	0	0	0	0
Eureka	(400,000)	100,000	0	0	0	300,000
Fenton	0	0	0	0	0	0
Florissant Valley	0	0	0	0	0	0
Lemay	0	0	0	0	0	0
Maryland Heights	(207,913)	207,913	0	0	0	0
Mehlville	158,400	(158,400)	0	0	0	0
Metro West	(1,498,390)	(431,971)	0	0	0	1,930,361
Mid-County	147,732	(160,500)	12,768	0	0	0
Moline	0	0	0	0	0	0
Normandy	0	0	0	0	0	0
Pattonville/Bridgeton Terrace	100,000	(100,000)	0	0	0	0
Riverview	0	0	0	0	0	0
Robertson	0	0	0	0	0	0
Spanish Lake	0	0	0	0	0	0
Valley Park	0	0	0	0	0	0
West County EMS	(158)	158	0	0	0	0
West Overland	0	0	0	0	0	0
Total	\$ (1,683,365)	(542,800)	12,768	0	0	2,213,397

APPENDICES

Appendix A

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR ENDED DECEMBER 31, 1998

The following is a summary of the various comments contained in those management letters received by the State Auditor for audits of the year ended December 31, 1998. The comments apply to individual fire protection districts unless otherwise noted. The comments extracted from the management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

Revenues/Receipts

- C The EMS collection system was not operating effectively or efficiently.
- C Permit and inspections fees were not deposited timely.
- C Amounts which were reimbursed for certain expenses were recorded as miscellaneous income instead of being posted to the expense account originally charged.
- C Ambulance fees were deposited and recorded as miscellaneous income in the general fund.
- C EMS rates have not been evaluated or reviewed for possible revision in recent years.

Expenditures/Purchasing

- C An invoice could not be located.
- C The amount transferred from the ambulance fund to the general fund for emergency medical call reimbursement has not been reviewed for possible revision in recent years.

Accounting Records

- C The accounting department was unable to supply the Board of Directors with monthly or quarterly financial statements for 1998.
- C Audit adjustments from several years had not been posted to the general ledger.
- C Activity relative to debt service and capital projects were recorded in the general fund instead of establishing separate funds for debt service and capital project transactions.

- C Miscellaneous receipts were maintained manually, separate from the automated system.
- C Lease agreements were not centrally filed, and an executed copy of one lease was not on file.
- C Payments totaling approximately \$11,400 representing fees withheld by the district's collection agency, were not included in the monthly financial statements.
- C Accounting records were not received in a timely manner from their outside accounting service.

Investments

- C A district did not meet with their bank regularly regarding the various types of investments, the rate of return on the district's investments, and recommendations to improve this return.

Fixed Assets

- C A detailed permanent record of fixed assets was not maintained in seven districts.
- C Corrective action for specific internal control matters relating to the care, custody and control of the fixed assets as noted in previous recommendations has not been taken
- C The fixed asset database is unable to generate reports of additions and deletions for any given previous year. In addition, the database appears to be incomplete for some items, including missing cost figures and dates of purchase.
- C The fixed asset listing has not been updated to reflect all significant assets. In addition, the fixed asset listing was not reconciled to the fixed asset account group balance.
- C Fixed asset records are not summarized into useful and accurate reports. Addition and deletion reports with year end balances were not available.

Budgets

- C The correct tax rate was not budgeted for 1998 and revenues collected from a city were omitted. The interim management reports excluded budgetary data for comparisons to actual.
- C The amended 1998 budget did not use the correct beginning budgeted amount. In addition, the budget did not foot in the expenditures area.
- C The 1998 budget was not amended for capital and operating expenditures.
- C The 1998 budget included budgeted interfund transfers; however, the interfund transfers did not net to zero.

- C Actual expenditures exceeded budgeted expenditures in various funds for four districts.
- C Budgeted expenditures were in excess of revenues plus the beginning of the year fund balance for the ambulance special revenue fund. In addition, the ambulance special revenue fund reflected a deficit fund balance at year end.
- C A budget was not prepared for the capital projects fund.
- C A five year budget was not prepared to outline specific needs and replacement of equipment.
- C Financial statements did not reflect budgets for the current year. The ambulance fund was consistently over budget for the past several years including 1998. The district's accountant has not taken an active role in ensuring budgeted results are adequately reported to the Board.

Payroll

- C A food allowance paid to firefighters was not reported as income on Form W-2.
- C Bonuses paid to some firefighters for physical achievements were not included on the W-2.
- C Amounts were deposited directly into several employees' 457 accounts, but were not reflected on the payroll records or W-2 forms.
- C The vacation policy for one district did not clearly document how vacation time can be earned or if vacation time can be carried forward into the following year.

Policies and Procedures

- C A formal written purchasing policy does not exist.
- C A written accounting procedures manual does not exist.
- C A planning committee was bypassed in executing a contract with a computer company to maintain the district's computer system.

Pensions

- C Pension investment activity was not recorded during the year, except for contributions made. Activities not included were investment earnings, employee contributions, benefit payments and administrative expenses.
- C Pension investment account changes due to income earned and market value fluctuations were not recorded.

Accounting Software

- C Frequent assistance from the software provider is needed to operate and produce necessary financial reports from a new in-house accounting system. The accounting system allows the input of data affecting several funds, thus unbalancing the fund on an individual basis by posting an incomplete journal entry to each fund. The field to input explanations for journal entries and/or the purpose of the entry is very limited and does not allow for an adequate explanation of the journal entry. The general ledger accounts with posted financial data were deleted from the system after they had a zero balance.

Pledged Securities

- C Bank deposits were uninsured or uncollateralized due to a bank error resulting from a bank merger.
- C Deposits held at the district's safekeeping bank were under collateralized by approximately \$78,000.

Year 2000

- C Exposures to the Year 2000 (Y2K) syndrome were not fully assessed for two districts.

Insurance

- C Insurance needs and requirements have not been discussed in committee. The district's insurance agent's presentation did not include any "contents" coverage for the new computer systems, and it was noted that the coverage on the buildings and contents has not been reviewed for several years and appears inadequate. A public official bond was not executed for one Board member.

Unclaimed Property

- C Several checks outstanding for over one year were written off, but had not been turned over to the state under the Unclaimed Property law.

Personnel

- C Due to growth, it was suggested that a district consider hiring an additional employee to assist with administrative filing, bookkeeping, and other accounting duties to ensure these functions are completed on a timely basis.

Appendix B

Title 15—ELECTED OFFICIALS

Division 40—State Auditor

Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties

15 CSR 40-4.010 Requirements for Districts

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.*

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.020 Standards for Auditing and Financial Reporting

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.*

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.030 Contents of Audit Reports

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.*

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

Appendix B

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.040 Scope of Audit

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

Appendix C

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.